

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6218
BILL NUMBER: HB 1018

NOTE PREPARED: Mar 17, 2003
BILL AMENDED: Mar 17, 2003

SUBJECT: Local Taxes.

FIRST AUTHOR: Rep. Frenz
FIRST SPONSOR: Sen. Waterman

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill authorizes counties other than Marion County to adopt a Supplemental Auto Rental Excise Tax to fund certain capital improvements (Marion County has a Supplemental Auto Rental Excise Tax under existing law). The bill repeals the law creating the Knox County Innkeeper's Tax. The bill requires Knox County to continue imposing an Innkeeper's Tax in conformity with the provisions of the Uniform Innkeeper's Tax law.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) *County Supplemental Auto Rental Excise Tax:* The Department of State Revenue would administrate, audit, and collect the County Supplemental Auto Rental Excise Tax (CSARET). During 2001, the Department administrated, audited, and collected local taxes at approximately \$0.51 per \$100 of revenue. The Department's current resources are sufficient to absorb the additional costs associated with this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *County Supplemental Auto Rental Excise Tax:* Under the bill, county councils would have the option to adopt the County Supplemental Auto Rental Excise Tax (CSARET.) Treasurer's in adopting counties would be required to establish the County Supplemental Auto Rental Excise Tax Fund. Upon passage of an ordinance to impose the CSARET, the county council would be required to send a certified copy of the passed ordinance to the Department of State Revenue. Under the bill, an ordinance adopted by a county may not impose the tax for a period exceeding 30 years from the date of adoption.

Uniform Innkeeper's Tax: Under the bill, Knox County would be able to continue to collect the Innkeeper's Tax under the Uniform Innkeeper's Tax Law (Uniform Law.) Under current law, members of the local tourism commission would be required to operate under the Uniform Law, including no salary paid to members except reimbursement for necessary expenses incurred in their duty. Money received by the tax would only be used for the promotion of convention, visitors, and tourism in the County under the Uniform Law.

Background: The Knox County Innkeeper's Tax is collected locally by the county treasurer. Revenues are deposited into the Tourism Promotion Fund.

Explanation of Local Revenues: (Revised) *County Supplemental Auto Rental Excise Tax:* Under the bill, county councils may adopt the County Supplemental Auto Rental Excise Tax at a rate of 5% of the gross retail income from the rental of passenger motor vehicles. The following rentals would be exempt from the tax: rentals for use in funeral services; rentals during vehicle servicing; and insurance rentals.

The Tax would be imposed, paid, and collected in the same manner as the state Gross Retail Tax. Under the bill, retail merchants would have the option of filing a separate return, filing with the current Auto Rental Excise Tax, or filing with a return for the state Gross Retail Tax. Revenue collected by the Tax will be distributed monthly to the County Supplemental Auto Rental Excise Tax Account of the state General Fund. By the twentieth day of the month all revenue in the account would be distributed to the adopting counties. All distributions from the account would be made upon warrants issued by the Treasurer of State.

If a county adopts the CSARET before June 1 of a given year, the tax is effective beginning July 1 of the same year. If a county adopts CSARET after May 31 of a given year the tax is effective after the last day of the month in which the ordinance was adopted.

According to the Department of State Revenue, \$5.4 M in the current Auto Rental Excise tax was collected in Indiana counties other than Marion in CY 2002. Based on this amount, it is estimated that a 5% CSARET in all counties except Marion could generate up to an additional \$5.8 M per calendar year. However, if the percentage of exempt transactions in counties other than Marion exceed the amount experienced with Marion County's CSARET, the revenue generated under this proposal could be somewhat less than \$5.8 M.

Revenue in the special account would be used only to finance, construct, acquire, improve, renovate, remodel, or equip buildings, facilities, or improvements of general public benefit or welfare that would promote the cultural, recreational, public, or civic well-being of the community. The revenue may also be used by a county to retire bonds or repay leases entered for the above purposes. Approval of the county council would be required for expenditure of revenue distributed from the imposition of the CSARET.

Uniform Innkeeper's Tax: Unless a change in the County's Innkeeper's Tax Rate occurs under the Uniform Law by local ordinance there would be no increase in local revenues under this proposal. The tax rate under the Uniform County Innkeeper's Tax may not exceed 5%.

Background: Knox County currently imposes the Innkeeper's Tax at a rate of 3%. Revenue collected in FY 2002 was \$116,790.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties adopting the County Supplemental Auto Rental Excise Tax under the

bill, Knox County Treasurer.

Information Sources: Willie Gonzalez, Department of State Revenue, (317) 232-3996; Knox County Treasurer's Office, (812) 885-2506.

Fiscal Analyst: Chris Baker, 317-232-9851